

1
2 UNITED STATES DISTRICT COURT
3 NORTHERN DISTRICT OF OHIO
4 EASTERN DIVISION

5 UNITED STATES OF AMERICA,

6 Plaintiff,

7 vs.

8 LARRY DEAN HARMON,

9 Defendant.

Case No. 5:20MJ1030

Akron, Ohio

Tuesday, February 11, 2020

3:09 p.m.

10 TRANSCRIPT OF IDENTITY/DETENTION HEARING
11 BEFORE THE HONORABLE KATHLEEN B. BURKE
12 UNITED STATES MAGISTRATE JUDGE

13 APPEARANCES:

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1 Tuesday, February 11, 2020

2 THE DEPUTY CLERK: All rise. This Honorable
3 United States Court for the Northern District of Ohio is now
4 open for the transaction of business. The Honorable
5 Kathleen B. Burke presiding.

6 You may be seated.

7 The case before the Court carries Case Number
8 5:20MJ1030, United States of America versus Larry D. Harmon.

9 THE COURT: Good afternoon.

10 Would counsel for the United States please introduce
11 himself for the record?

12 MR. RIEDL: Good afternoon, Your Honor. Thank
13 you. Dan Riedl on behalf of the United States. I'm joined
14 at counsel table with AUSA Chris Brown from the District of
15 Columbia, and also present are Riane Harper and Alden Pelker
16 from Main Justice.

17 THE COURT: Who will be speaking for the
18 government?

19 MR. RIEDL: I will be, Your Honor.

20 THE COURT: Okay.

21 Would counsel for defendant please introduce himself?

22 MR. FLOOD: Good afternoon, Your Honor. Charles
23 Flood for Mr. Harmon, appearing pro hac vice.

24 THE COURT: Good afternoon.

25 We did see on the docket your motion to be admitted

1 pro hac vice, and I believe that's been granted.

2 MR. FLOOD: Thank you, Your Honor.

3 THE COURT: All right. We also have in the
4 courtroom our Pretrial Services officer, Officer Julie Gray.
5 Good afternoon.

6 THE PRETRIAL SERVICES OFFICER: Good afternoon,
7 Your Honor.

8 THE COURT: All right. This hearing was
9 scheduled as both an identity hearing and a detention
10 hearing.

11 The purpose of the identity hearing is to determine
12 whether probable cause exists to believe that the defendant
13 in the courtroom is the defendant named in the charging
14 document which is the indictment issued out of the District
15 of Columbia.

16 The purpose of the probable cause hearing is to
17 determine whether the government's motion for detention
18 should be granted or denied.

19 And before we begin, I do want to note that defendant
20 has a right to a detention hearing which may take place
21 either in this district or in the charging district which is
22 the District of Columbia.

23 However, he is entitled to only one detention hearing.
24 He may choose which district he wishes to have the hearing
25 in.

1 So it's my understanding, Mr. Flood, that Mr. Harmon
2 does wish to have the detention hearing in this district; is
3 that correct?

4 MR. FLOOD: That's correct, Your Honor.

5 THE COURT: All right. I'm going to start by
6 having counsel for the United States state the charges that
7 have been made against Mr. Harmon as well as the penalties
8 associated with those charges.

9 MR. RIEDL: Thank you, Your Honor.

10 Mr. Harmon is charged in a three-count indictment.

11 Count 1 of the indictment alleges a violation of Title
12 18, United States Code, Section 1956(h). That is conspiracy
13 to launder monetary instruments.

14 It carries a potential maximum penalty of 20 years of
15 imprisonment, a \$250,000 fine, and three years of supervised
16 release.

17 Count 2 of the indictment alleges a violation of Title
18 18, United States Code, Section 1960(a). That is operating
19 an unlicensed money transmitting business.

20 That carries a maximum potential penalty of five years
21 of imprisonment, a \$250,000 fine, and three years of
22 supervised release.

23 Count 3 of the indictment alleges a violation of
24 District of Columbia Code Section 26-1023(e). That alleges
25 a violation of money transmission without a license.

1 That carries a maximum potential penalty of five years
2 of imprisonment, a \$250,000 fine, and three years of
3 supervised release.

4 Each of those counts of conviction will also require a
5 \$100 mandatory special assessment.

6 The indictment also has forfeiture provisions, Your
7 Honor.

8 THE COURT: Mr. Riedl, you said, with respect to
9 Count 3, that it alleged a violation of D.C. Code Section
10 26-1023(e) whereas in the indictment it says 26-1023(c).

11 MR. RIEDL: Thank you, Your Honor. You're
12 correct. It is (c). My copy, it was difficult for me to
13 read. But it is (c).

14 THE COURT: All right.

15 Another preliminary matter -- and I did state this at
16 the time of the last hearing; I will state it again
17 today -- that since this is a case that comes from another
18 district, Mr. Harmon -- or defendant has the right to an
19 identity hearing to determine whether he is the person named
20 in the indictment.

21 During the hearing today as well as during the hearing
22 last week I indicated that I would address the defendant as
23 Mr. Harmon, but that my doing so or his responding when I
24 address him in that way is neither a finding on my part nor
25 an admission on his part that he is in fact the person named

1 in the indictment. We will make that determination later
2 on.

3 All right. Mr. Harmon, have you received a copy of
4 the indictment?

5 THE DEFENDANT: Yes.

6 THE COURT: And have you had an opportunity to
7 review the indictment with your attorney?

8 THE DEFENDANT: Yes.

9 THE COURT: All right. As I advised you at the
10 time of your initial appearance in this matter, you do have
11 a constitutional right to be represented by an attorney at
12 every stage of the proceedings in the case.

13 I also advised you that if you could not afford to
14 hire an attorney, the Court would appoint one without cost
15 to you to represent you.

16 Do you understand your right to an attorney?

17 THE DEFENDANT: Yes.

18 THE COURT: I understand that you have retained
19 Mr. Charles Flood who is seated next to you to be your
20 attorney in this matter.

21 Is that correct?

22 THE DEFENDANT: Yes.

23 THE COURT: The other thing I advised you of at
24 the time of the last proceeding is that you have a right to
25 remain silent.

1 You are not required to make any statement, and any
2 statement you do make may be used against you. If you start
3 to make a statement, you may stop at any time. You may also
4 speak with your attorney at any time.

5 Do you understand your right to remain silent?

6 THE DEFENDANT: Yes.

7 THE COURT: All right. Let me now ask both
8 counsel, have you received a copy of the Pretrial Services
9 report?

10 Mr. Riedl?

11 MR. RIEDL: Yes, Your Honor.

12 THE COURT: And Mr. Flood?

13 MR. FLOOD: Yes, Your Honor.

14 THE COURT: All right. Are both parties -- have
15 both parties had an adequate opportunity to prepare?

16 Mr. Riedl?

17 MR. RIEDL: Yes, Your Honor.

18 THE COURT: And Mr. Flood?

19 MR. FLOOD: Yes, Your Honor.

20 THE COURT: Okay. Let me now confirm that this
21 is not a case as to which a presumption applies under 18
22 United States Code, Section 3142.

23 Mr. Riedl?

24 MR. RIEDL: That's correct, Your Honor.

25 THE COURT: And Mr. Flood?

1 MR. FLOOD: Yes, Your Honor. Correct.

2 THE COURT: All right. Mr. Harmon, at this
3 hearing you have the right to cross-examine any witnesses
4 that the government may present, and you also have the right
5 to present evidence in your own behalf.

6 You have the right to testify, but you're not required
7 to do so.

8 As I mentioned earlier, you do have the right to
9 remain silent.

10 You also have the right to speak with your attorney at
11 any time during the hearing.

12 The rules of evidence do not apply to this proceeding.
13 Both parties have the right to proceed in whole or in part
14 by way of proffer.

15 The evidence and the examinations are limited to the
16 identity and detention determinations. In other words, the
17 hearing is not to be used to obtain discovery or to produce
18 testimony that can be used for subsequent impeachment at
19 trial.

20 The Court will not consider motions to suppress
21 evidence or objections to evidence allegedly obtained
22 unlawfully at this hearing.

23 The order of presentation is that the government will
24 proceed first with its evidentiary presentation and should
25 present evidence to both the -- relevant to both the

1 identity and detention determinations.

2 That will be followed by the defense's presentation of
3 evidence.

4 And following the evidentiary presentations, the Court
5 will hear brief argument from both counsel as to the
6 identity and detention determinations and the factors that
7 the Court must consider.

8 Is the government ready to proceed, Mr. Riedl?

9 MR. RIEDL: Yes, Your Honor.

10 THE COURT: All right. You may present your
11 first witness.

12 MR. RIEDL: Thank you, Your Honor. The
13 government calls Special Agent Jeremy Haynie.

14 JEREMIAH HAYNIE,
15 of lawful age, a witness called by the Government,
16 being first duly placed under oath, was examined
17 and testified as follows:

18 THE COURT: You may proceed.

19 MR. RIEDL: Thank you, Your Honor.

20 DIRECT EXAMINATION OF JEREMIAH HAYNIE

21 BY MR. RIEDL:

22 Q. Could you please state your name and spell your last
23 name?

24 A. Jeremiah Haynie, H-A-Y-N-I-E.

25 Q. Thank you.

1 Where do you work?

2 A. I work for the IRS Criminal Investigation Division.

3 Q. What do you do there?

4 A. I'm a special agent.

5 Q. How long have you been a special agent with the IRS?

6 A. 18 years.

7 Q. Where did you go to school?

8 A. Alma College.

9 Q. That was Alma, A-L-M-A?

10 A. A-L-M-A, correct.

11 Q. Thank you.

12 And what was your degree?

13 A. I have a business degree and a minor in mathematics.

14 Q. Shortly after graduating from college, did you join
15 the IRS?

16 A. Yes.

17 Q. And have you been assigned to multiple roles within
18 the IRS?

19 A. I have, yes.

20 Q. Most recently, what is your current assignment? What
21 unit within the IRS are you assigned to?

22 A. I'm assigned to the Cyber Crimes Unit out of
23 Washington D.C.

24 Q. And can you tell us what types of crimes that unit
25 focuses on?

1 A. Financial crimes with a large Internet component.

2 Q. You said the unit is headquartered in D.C. Are you
3 personally stationed in D.C.?

4 A. No. I sit in Lansing, Michigan.

5 Q. Have you investigated crimes involving cryptocurrency?

6 A. I have, yes.

7 Q. Could you briefly describe that?

8 A. Conducted a number of investigations, currently
9 conducting a number of investigations involving tracing
10 bitcoin and other cryptocurrency.

11 Q. Were you involved in the Liberty Reserve
12 investigation?

13 A. I was.

14 Q. What was your role in that investigation?

15 A. I was the lead IRS special agent in that
16 investigation.

17 Q. Could you describe briefly what that case was?

18 A. Liberty Reserve was a virtual currency, similar to
19 PayPal, except they did not verify the identities of their
20 customers. They did not have any anti money laundering
21 controls in place. Therefore, it was used primarily by
22 criminals engaged in, largely, investment schemes, selling
23 stolen credit card data, and other Internet fraud.

24 Q. Have you received training in tracing cryptocurrency?

25 A. Yes.

1 Q. Can you briefly describe that?

2 A. The IRS is provided training from individuals that
3 provide blockchain type analysis services and products. I
4 received training from those companies.

5 Q. Have you also taught or provided training to others
6 regarding cryptocurrency?

7 A. Yes. I coauthored the IRS training module that's used
8 down at our Federal Law Enforcement Training Center in
9 Georgia.

10 Q. Have you also put on trainings for others?

11 A. I have, yes.

12 Q. Could you describe that?

13 A. I put on approximately 12 trainings for other law
14 enforcement agencies, special agents within the IRS,
15 individuals in the banking industry as well.

16 Q. What is that training about? Can you give us an
17 overview of what types of categories of things you teach
18 people?

19 A. Yes. It's typically a Bitcoin 101 type of training,
20 how it works.

21 As we kind of advance further into the training,
22 depending on how long it is, it could entail tracing
23 bitcoin, what to do if you come across a bitcoin address,
24 how to figure out if there is any transactions associated
25 with it, or a balance, the address or what.

1 Q. What about recovering physical evidence relating to
2 bitcoin and digital evidence relating to bitcoin?

3 Do you teach that?

4 A. So as far as the physical evidence, we do -- I do
5 teach what we look for as far as QR codes, which is kind of
6 like a bar code type of thing, the different hardware
7 wallets or devices that are kind of like thumb drives that
8 you can store bitcoin on, what type of apps to look for if
9 you're looking at somebody's phone that might show that
10 they're trading in the buying and selling of bitcoin.

11 Q. Are you familiar with the investigation into Larry
12 Harmon?

13 A. Yes.

14 Q. How are you familiar with that investigation?

15 A. So that investigation is being conducted out of my
16 group. Again, it's based in Washington D.C., the Cyber
17 Crimes Unit.

18 I am not the case agent on the investigation. I'm
19 just assisting as needed.

20 THE COURT: I'm sorry. You said you're not the
21 case agent, but you're what?

22 THE WITNESS: I'm assisting as needed.

23 THE COURT: Okay.

24 BY MR. RIEDL:

25 Q. Specifically, what things have you done in this

1 investigation?

2 A. I have helped review records, bitcoin transaction type
3 records. I've participated in surveillance. And
4 specifically for this hearing, I've reviewed documents.

5 Q. And have you spoken to the case agent in preparation
6 for this hearing?

7 A. Yes, I have.

8 Q. And did you also assist in surveillance during the
9 investigation?

10 A. Yes, I did.

11 Q. And you said you assisted with the search warrant; is
12 that right?

13 A. I'm not sure if I said that, but I did assist with the
14 search warrant last week.

15 Q. I would like to turn your attention to the exhibit
16 binder that I'm going to hand you.

17 MR. RIEDL: May I approach the witness, Your
18 Honor?

19 THE COURT: I want to make sure that you have
20 shared that with opposing counsel.

21 MR. FLOOD: He has, Your Honor.

22 THE COURT: And have you had adequate time to
23 review it?

24 MR. FLOOD: I have, Your Honor.

25 THE COURT: Okay. Very good.

1 You may proceed.

2 MR. RIEDL: Thank you.

3 BY MR. RIEDL:

4 Q. Are you familiar with all of the exhibits contained in
5 this binder?

6 A. Yes, I am.

7 Q. And you had a chance to review them before the
8 hearing; is that correct?

9 A. Yes, I have.

10 Q. If you could turn your attention to Government's
11 Exhibit 1, please.

12 How does this relate to the investigation into Larry
13 Harmon?

14 A. So these are -- I guess I'll start with, the top half
15 of Exhibit 1 is a screen shot of Grams, which is a search
16 engine for searching the Darknet market, or Darknet markets.

17 And we've concluded that Larry Harmon was the
18 administrator of Grams, the person in charge of the website.

19 Q. And the bottom half?

20 A. The bottom half is a screen shot of Helix which is a
21 bitcoin mixer. Bitcoin mixers help -- bitcoin mixers are
22 used to obfuscate the source of bitcoin.

23 We can probably get into that later.

24 Q. We will.

25 And is this Helix mixer, is that also related to Larry

1 Harmon?

2 A. Yes, it is.

3 Q. And we'll get into those in more detail, as you said.

4 So starting first with Grams and turning to
5 Government's Exhibit 2.

6 What does Government's Exhibit 2 show us?

7 A. This is an example of entering "cocaine" into the
8 Grams search bar and the results that are returned as a
9 result of that.

10 If you look at the different entries there, you can
11 see that these are entries into the dark web marketplace.
12 This is dark web websites where you can purchase cocaine
13 from them.

14 They also include vendor names in there, so where the
15 cocaine will come from, the price of the cocaine.

16 So it helps you be able to search for whatever you're
17 looking for very quickly.

18 Q. Okay. I'm going to zoom out for a second, and we're
19 going to define some of the words you just used in that
20 description.

21 So starting first with the dark web.

22 Can you give us a very short or brief overview of what
23 the dark web is?

24 A. So the dark web is a collection of websites where you
25 need specialized software to access these websites. That

1 software anonymizes your IP address or things that law
2 enforcement would use to identify you.

3 And that software also anonymizes the website that
4 you're connecting to so me, as a law enforcement agent,
5 would not be able to figure out where that website is
6 hosted.

7 Q. And you said Grams was a search engine. Is that
8 similar to how Google is a search engine for the clear web?

9 A. Yes. In fact, it's designed the same way basically
10 with the letters and everything.

11 Q. Okay. And when I perform a search on Grams, what is
12 it searching? What database is it looking at?

13 A. Grams reaches out to the dark web marketplaces and
14 pulls the results directly from the dark web marketplaces.

15 Q. So what is a dark web marketplace?

16 A. A dark web marketplace is kind of like an eBay type of
17 shop where buyers and sellers of, in this case it would be
18 illegal items since it's a dark web marketplace, but buyers
19 and sellers of these illegal items can come together and the
20 sellers can sell illegal things to the buyers.

21 Typically it's narcotics, illegal narcotics that are
22 listed on there. There is also stolen credit card data,
23 malware, those type of illegal items.

24 Q. Are things on the dark web automatically illegal just
25 by being on the dark web?

1 A. No.

2 Q. Okay. So when you said these marketplaces tended to
3 have illegal things, what are you basing that on? Is that
4 based on your experience with these marketplaces?

5 A. Correct.

6 Q. Okay. And so would it be common to find items that
7 were legal or allowed to be had, would it be normal to find
8 legal items on dark web marketplaces?

9 A. No.

10 Q. We're going to skip ahead briefly to Government's
11 Exhibit 14.

12 Do you recognize that?

13 A. Yes.

14 Q. What is that?

15 A. These are excerpts from an online forum called Reddit.
16 The gramsadmin are things that gramsadmin, which is a user
17 name, has posted on Reddit.

18 Q. And so Grams is relative to the Grams search engine
19 that we just talked about?

20 A. Correct. So admins typically -- the term "admin,"
21 when used on the dark web or these types of investigations,
22 typically means the individual that is controlling the
23 website.

24 Q. And did the investigation determine who they believe
25 is the author of this subforum?

1 A. Yes, Larry Harmon.

2 Q. Who is it?

3 A. Larry Harmon.

4 Q. Thank you.

5 And then could you highlight -- there are a couple of
6 items that are already highlighted, but I would like to
7 start in the first paragraph about the third of the way
8 down.

9 There is a mention, "I don't want any UC working for
10 me."

11 What does "UC" stand for?

12 A. Undercover.

13 Q. Thank you.

14 And then the first highlighted portion. Can you tell
15 us what that is and what it means?

16 A. It says, "My server is not in the U.S. unlike Reddit's
17 and has less of a chance of LE taking control without LE
18 even needing to do a MITM."

19 Q. So what does LE stand for in common parlance?

20 A. Law enforcement.

21 Q. And MITM, is that a phrase that's used on the dark
22 web?

23 A. Yeah, it's used outside of the dark web as well, but
24 it means man in the middle. It's an attack where somebody
25 gets in between communication.

1 Q. And when there is a discussion of "my server," what
2 role does a server play in a dark web marketplace or dark
3 web site?

4 A. So server is what the user actually communicates with.
5 So it's what produces the images you see on the website.

6 Q. And then skipping to the second highlighted portion in
7 the bottom paragraph, can you tell us what that says and
8 what that means?

9 A. Says, "Helix uses new addresses for each transaction
10 so there is no way LE would be able to tell which addresses are
11 Helix addresses."

12 Q. What does that mean?

13 A. That, again, is an obfuscation technique where if the
14 same addresses were used, we would, we being lawsuit, would
15 have a better idea of what's going on.

16 But in this case, since different addresses are used,
17 it's harder to attribute users to specific addresses.

18 Q. And we'll talk about that in a little more detail here
19 shortly.

20 We're going to skip back now to where we were and move
21 on to Government's Exhibit 3, please.

22 What is this, please?

23 A. This is a screen shot showing how Helix worked.

24 Q. And this looks to be of a web browser. Is this a
25 normal web browser?

1 A. No, this is a Tor web browser.

2 Q. And what is a Tor web browser used for?

3 A. A Tor browser is used to access the dark web and to
4 access websites that are on Tor.

5 Q. Once I've installed -- once a user has installed the
6 Tor browser on his or her computer, does it operate
7 generally like a normal Internet browser that we're used to?

8 A. Yeah, pretty much.

9 Q. So all of the things that make the communications
10 anonymous, does the user have to be a computer programmer or
11 some sort of genius to use that? Or from the user's
12 perspective, does it work normally like a normal web browser
13 would work?

14 A. It would work normally like a web browser would work.

15 Q. So where does all the anonymizing take place if I'm
16 browsing the dark web?

17 A. That's in the software itself.

18 And so what the browser does is it directs the
19 Internet traffic to different what are called Tor nodes,
20 which there is encryption involved, and it bounces through
21 different Tor nodes to anonymize the Internet traffic.

22 Q. Thank you.

23 So going back to Exhibit 3, you said this was an
24 advertisement or a description on the dark web of how Helix
25 worked. And can you describe what this -- what this says?

1 A. Yeah, so the very bottom image is a blow-up of what's
2 at the top here.

3 So how Helix works, "enter your bitcoin address in the
4 box above," "send your dirty coins to the Helix address,"
5 "new clean coins sent to your bitcoin address."

6 Q. "Dirty coins," what does that mean?

7 A. Coins that had been used for illegal means -- or
8 received for likely selling illegal things.

9 Q. And when we say "coins," are we talking about change
10 in my pocket?

11 A. No, bitcoin.

12 Q. And then "clean coins," "new clean coins," what does
13 it mean, like when you talk about new coins, what are we
14 referring to here?

15 A. So the way these mixers work is after receiving
16 bitcoin from a number of users, they tumble and mix those
17 coins together.

18 And "tumble" just means they send it to additional
19 bitcoin wallets that they control to distance that bitcoin
20 from the original illegal source.

21 And then what I guess is called the clean coins is
22 what then they are able to pay out to their users after
23 having laundered the bitcoin for them.

24 Q. And if an individual has used a tumbler like Helix, if
25 they passed their bitcoin through a tumbler like Helix, does

1 that make it easier or harder for you as law enforcement to
2 identify the true source of that bitcoin?

3 A. Harder.

4 Q. I would like to turn now to the next exhibit. That is
5 Government's Exhibit 4.

6 What is that, please?

7 A. This is a chart that was created to illustrate how
8 bitcoin passed through Helix.

9 Q. So on the far left side we see two sources of bitcoin.
10 And what were those sources?

11 A. On the left side we have known illegal entities
12 sending bitcoin into Helix.

13 On the bottom we have unknown entities or customers
14 sending bitcoin into Helix.

15 Q. And when, after the coin got processed -- gets
16 processed into Helix, it's shown going in two different
17 directions on the right there. What are those two
18 directions?

19 A. So after it goes through Helix, the bitcoin is sent to
20 the users and minus a transaction fee which goes to the
21 administrator of Helix.

22 Q. And who was the administrator of Helix?

23 A. Larry Harmon.

24 Q. I would like to skip ahead to Government's Exhibit 10.
25 Is this essentially a portion of the last chart we

1 just looked at?

2 A. Yes.

3 Q. So it shows some money going, on the top right, to
4 Helix users and then some money going to Larry Harmon; is
5 that correct?

6 A. It is, yes.

7 Q. How much -- there is a number here, 8,861 bitcoin.
8 Where did that number come from? How is that number
9 determined?

10 A. That came from multiplying two and a half percent
11 times the total number of bitcoin that we've identified that
12 went through Helix, which is 354,468.

13 Q. Why two and a half percent? How did you come up with
14 the two and a half percent transaction fee?

15 A. That was the transaction fee that Helix took from each
16 transaction.

17 Q. So that was a known or a publicly announced fee?

18 A. Correct.

19 Q. And did IRS actually process some bitcoin through
20 Helix?

21 A. Yes.

22 Q. And was that transaction fee taken out of those funds?

23 A. Yes.

24 Q. The amount here, 8,861 bitcoin, doesn't seem like a
25 terribly high figure.

1 What is that worth in today's United States dollars?

2 A. Approximately \$80 million.

3 Q. I'd like to turn back now to Government's Exhibit 5.

4 When we looked at Government's Exhibit 4, it showed
5 that there was bitcoin coming in from marketplaces and
6 bitcoin coming in from unknown customers.

7 Where did most of the bitcoin come from?

8 A. Most of the bitcoin came from unknown customers.

9 Q. And is that illustrated in Government's Exhibit -- is
10 that what's illustrated in Government's Exhibit 5?

11 A. So most of the known bitcoin that came into Helix came
12 from illegal marketplaces.

13 Q. Thank you.

14 And is that what's illustrated in Government's Exhibit
15 5?

16 A. It is, yes.

17 Q. So what is this? Can you tell us what this is showing
18 us?

19 A. This shows the amount of bitcoin that we traced from
20 illegal marketplaces that were deposited into the Helix
21 mixer.

22 Q. And so all of those names and logos sitting around
23 Helix on the left side of Government's Exhibit 5, what are
24 those?

25 A. Those are Darknet marketplaces.

1 Q. And what types of things did those marketplaces sell?

2 A. Mostly illegal narcotics, fraudulently obtained stolen
3 credit card information, malware. Those type of things.

4 Q. So did any of those sites primarily sell Beanie Babies
5 or any other legal items?

6 A. No.

7 Q. And then the chart on the right, what does that show?

8 A. That shows the amount. So, for example, the first
9 market, reading from left to right, is AlphaBay Market.
10 21,996 bitcoin that we traced from AlphaBay directly to
11 Helix. And that had an equivalent at the time, or a U.S.
12 dollar value at the time of the transaction of over \$13
13 million.

14 Q. Turning now to Government's Exhibit 6.

15 Did Helix have a special relationship with the Darknet
16 market AlphaBay?

17 A. Yes.

18 Q. So can you tell us briefly what AlphaBay was?

19 A. AlphaBay, as we've discussed, is a Darknet market, and
20 it sold primarily illegal narcotics.

21 Q. What was the special relationship that Helix had with
22 AlphaBay?

23 A. Helix had access to the listings on AlphaBay.

24 So -- or I'm sorry. I'm thinking of Grams.

25 Helix -- AlphaBay suggested or recommended to its

1 customers that they run their bitcoin through Helix.

2 Q. And so where did Government's Exhibit 6, where was
3 that taken from?

4 A. This is a screen shot from the AlphaBay website.

5 Q. And the last paragraph talks about Grams Helix.

6 And what does it say about Grams Helix?

7 A. It says, "Grams Helix is a tumbler and Darknet content
8 indexer. They are the Google of the Darknet and have a
9 tumbling service."

10 Q. So when it says "they are the Google of the Darknet,"
11 you started to talk about the fact that Grams had the
12 ability to search AlphaBay. Is that what they're describing
13 there, the Google of the Darknet?

14 A. Yes.

15 Q. And then "and have a tumbling service." Which service
16 are they referring to there?

17 A. Helix.

18 Q. And I would like to talk primarily, though, about the
19 first paragraph of text that was on the AlphaBay Market.

20 What does that say?

21 A. It says, "Tumbling your coins is a popular way to
22 erase any trace of your coins coming from AlphaBay." It
23 says, "In some cases, using the blockchain, a determined
24 investigator can trace you back to AlphaBay. Tumbling your
25 coins for a small fee, normally one to three percent,

1 ensures that you will never be traced back to here. We
2 recommend two tumblers who have proven themselves as
3 reliable."

4 Q. Thank you.

5 I would like to turn now to the next exhibit. That is
6 Government's Exhibit 7.

7 What is that?

8 A. This is a document that we received pursuant to a
9 search warrant to Google for the gmail account
10 doolbman1@gmail.com.

11 Q. Whose account was that?

12 A. Larry Harmon.

13 Q. And is that actually also the name on the account?

14 A. Yes, it is.

15 Q. Are there other identifiers on the account that tell
16 you that that was in fact Larry Harmon's e-mail account?

17 A. Yes. Highlighted a little more than halfway down the
18 page is the recovery e-mail address, larry@hwsite.com.

19 Q. What is a recovery e-mail account?

20 A. It's used in case you lose access to your primary
21 e-mail account, Google can send you a password reset. They
22 can also use it to talk to you outside of your primary
23 e-mail if you lose access to it.

24 Q. And this larry@hwsite.com, whose e-mail account is
25 that?

1 A. Larry Harmon.

2 Q. How do you know that?

3 A. We've seen it on many different documents, but, for
4 example, one place that we saw it was on a -- it's the Apple
5 I.D. for the telephone that we found next to Mr. Harmon when
6 we did the search warrant.

7 Also the H-W-I part of the hwisite at the end of the
8 domain there stands for Harmon Web Innovations.

9 And hwisite.com is under construction but lists Larry
10 Harmon as the owner.

11 Q. What is Harmon Web Innovation?

12 A. It's a business operated by Larry Harmon.

13 Q. Thank you.

14 And there is a phone number that's also highlighted.
15 Were you able to associate that phone number with Larry
16 Harmon?

17 A. Yes.

18 Q. How?

19 A. We found this phone number -- this phone number was
20 used to register a PayPal account in the name of Larry
21 Harmon.

22 Q. Under "Services," jumping back up higher in that
23 section, it lists Services.

24 Generally when it says "services," what are we
25 referring to?

1 A. So these are services that Google provides to its
2 customers. And this tells us which services the individual
3 listed here is registered to be using.

4 Q. And one of the services listed on the second line is
5 Glass. Are you familiar with what that is?

6 A. Yes. Google Glass are glasses that Google created,
7 developed. They have a camera facing out, and they have a
8 display on the inside that the user can see, kind of operate
9 like a smartphone.

10 Q. I'm going to ask you to skip ahead now to Government's
11 Exhibit 12, please.

12 What is this, please?

13 A. This is an e-mail that we recovered as a result of a
14 search warrant to Google. It's from Larry Harmon, and the
15 e-mail address is larry@hwsite.com.

16 Q. That's the same e-mail account we saw as the recovery
17 account on Government's Exhibit 7; is that right?

18 A. That's correct.

19 Q. Thank you.

20 Go ahead.

21 A. Its subject says "driver's license," and it looks to
22 be sent to a car dealership.

23 And the body of the e-mail says, "Hey, you called
24 about needing a copy of my driver's license for the juke we
25 paid in cash. It is attached, and my social is," which has

1 been redacted in this copy.

2 Q. So there are several items in this copy that have been
3 redacted; is that right?

4 A. That's correct.

5 Q. Have you reviewed the original unredacted version of
6 this e-mail?

7 A. Yes, I have.

8 Q. And in the original version, those portions that are
9 redacted, are those Larry Harmon's personal identifying
10 information?

11 A. Yes, they are.

12 Q. And the Larry Harmon that we've been discussing so far
13 throughout this case, do you see him in the courtroom here
14 today?

15 A. Yes, I do.

16 Q. Could you please point him out and describe what he's
17 wearing?

18 A. He's sitting at the defendant's table wearing an
19 orange jumpsuit.

20 MR. RIEDL: Thank you.

21 Your Honor, I would ask that the record reflect that
22 the witness has identified the defendant.

23 THE COURT: The record will reflect that the
24 witness has identified the defendant seated at the table in
25 the front of the courtroom.

1 MR. RIEDL: Thank you, Your Honor.

2 BY MR. RIEDL:

3 Q. I would like to turn now to Government's Exhibit 8.

4 What is that?

5 A. This is a photo that we recovered from the search
6 warrant to Google.

7 Q. And when you say "recovered from the search warrant to
8 Google," whose Google account was that search warrant to?

9 A. Larry Harmon.

10 Q. And was this photo saved in that Google account?

11 A. Yes.

12 Q. What is this a picture of?

13 A. The background shows the condo that Larry Harmon has,
14 a vacation type condo, located in Belize. We know this
15 because we've been to that condo. We've also seen public
16 pictures of condos of similar nature. And we also know this
17 because this photo itself has metadata within it, which is
18 just data that accompanies a photo, showing the latitude and
19 longitude where this photo was taken which correlates to San
20 Pedro, Belize.

21 Q. Was the IRS able to determine whether Larry Harmon was
22 actually in Belize when this photo was taken?

23 A. Yes. There was a social -- well, this photo was taken
24 October 23, 2014. There was a social media post dated
25 October 5, 2014 that showed that Larry Harmon was in Belize.

1 Q. Thank you.

2 I would like to turn now to Government's Exhibit 9.

3 What is that, please?

4 A. So this is just a blow-up or a zooming-in of the
5 computer screen that's pictured in the Government's Exhibit
6 Number 8.

7 Q. So it's the same as Government's Exhibit 8, just blown
8 up on the computer screen?

9 A. That's correct.

10 Q. And what does this show?

11 A. Starting from the annotation on the left, "GramsAdmin
12 Page," you can show that -- you can see that that tab has
13 "Admin" on it and "Testing."

14 And then you can also see that it's highlighted,
15 meaning it's a brighter color than the other tabs around it.

16 So if you kind of follow that tab down and to the
17 left, you can see "Grams," the same logo that we saw in
18 Exhibit Number 1, on that page.

19 THE COURT: I'm sorry. I'm trying to see where
20 you're looking. You're looking next to the black bar, it
21 says "Grams"?

22 THE WITNESS: That's correct.

23 BY MR. RIEDL:

24 Q. So is it in the bottom left of the photograph that you
25 can read "Grams"?

1 A. That's correct.

2 Q. And how do you know that that is the tab that's
3 selected and is related to "Admin - Testing"?

4 A. It's highlighted. The tab is highlighted. So it's a
5 brighter color than the tabs behind it.

6 So as you click on these other tabs, they'll highlight
7 and that one will darken.

8 MR. RIEDL: Does that make sense, Your Honor?

9 THE COURT: Yes.

10 MR. RIEDL: Okay.

11 BY MR. RIEDL:

12 Q. If we could move on to the next annotation.

13 What is that?

14 A. Yes. The next one to the right is labeled "Helix
15 Update Tab." And reading the tab, there is some
16 random -- well, it looks random letters to me, and there is
17 a slash, and then it says "Helix Update," which ends that
18 tab.

19 Q. And the next annotation?

20 THE COURT: You know, I don't know that I know
21 where you were just looking.

22 I have the "Admin - Testing." Where are you looking
23 now?

24 THE WITNESS: So I've moved two tabs to the right
25 under our next yellow arrow.

1 THE COURT: Okay. Thank you.

2 BY MR. RIEDL:

3 Q. And then the third annotation, "TorAds Admin Tab."

4 Can you describe that?

5 A. So TorAds was a banner advertising service that was
6 provided by Grams. So this is another link to Grams and a
7 link to Larry Harmon.

8 Q. And then we've already covered Government's Exhibit
9 10. So we'll skip then to Government's Exhibit 11, please.

10 A. Government's Exhibit 11 was obtained, again, through
11 the search warrants at Google. This was part of documents
12 that were stored in Larry Harmon's Google Drive account.

13 This shows cash in cryptocurrencies, and at the
14 bottom, the total gives a total of 56,939,610 in bitcoin and
15 U.S. dollars.

16 Q. So to be clear, did the IRS create this chart?

17 A. No.

18 Q. Who created -- well, where was it found?

19 A. This was found in Larry Harmon's Google Drive.

20 Q. And it lists a total of almost \$57,000,000 equivalent.
21 But then to the right of that, what are those columns to the
22 right of the United States dollar column?

23 A. Bitcoin.

24 Q. So you're looking at the very top line of the third
25 column; is that right?

1 A. Correct.

2 Q. It says "BTC." Why do you say that that's bitcoin?

3 A. That's the abbreviation for bitcoin.

4 Q. So just like United States dollars is commonly
5 abbreviated as "USD," do cryptocurrencies also have
6 three-letter abbreviations?

7 A. Yes, they do.

8 Q. Okay. And so the next one, "ETH," what is that?

9 A. That stands for ethereum.

10 Q. Is that is also a cryptocurrency?

11 A. Yes, it is.

12 Q. And "BCH"?

13 A. Bitcoin cash.

14 Q. And "BTG"?

15 A. Bitcoin gold.

16 Q. And then on the first column on the far left, it says
17 "Location."

18 Can you tell us what you believe this means based on
19 the investigation done to date?

20 A. So this -- I believe this means where this either
21 bitcoin or cash is being stored.

22 Q. And it lists a number of computers. And then lower
23 down it says T-R-E-Z-O-R, Trezor.

24 What is a Trezor? Are you familiar with what a Trezor
25 is?

1 A. Yes.

2 Q. What is it?

3 A. It's what we call -- or what's called a hardware
4 wallet. It is used to store bitcoin offline. It helps to
5 mitigate losing your bitcoin.

6 So if you stored bitcoin on a computer that was
7 attached to the Internet, there is a possibility that
8 computer could get hacked and your bitcoin could be stolen.

9 If you store it on a Trezor, which is like a hard
10 drive, like a thumb drive type looking device, you can store
11 that off the Internet, offline, and you're not -- bad guys
12 are not able to hack into it and steal your bitcoin.

13 Q. So if I store a lot of bitcoin -- so here one of these
14 Trezors claims to have \$31 million worth of bitcoin.

15 If I store that much money or bitcoin on a Trezor and
16 then my house burns down or someone steals the Trezor, have
17 I lost that money forever?

18 A. Potentially, but there are backups to Trezors.

19 Q. Could you describe how that works?

20 A. So it works, when you set up your Trezor, the software
21 gives what you are called seed keys. And normally with
22 Trezors those are 24 words that are used in the event that
23 you lose your Trezor.

24 So you are instructed to write those down, write those
25 seed keys down in order, and you're even quizzed on it. At

1 the end they will tell you, tell me what seed key number 11
2 was. And you have to tell it what it was in order for it to
3 work.

4 So you write those down, and you store those somewhere
5 away from your Trezor in case it's stolen or the house burns
6 down.

7 Q. Would it also be possible to memorize those seed keys?

8 A. Yes.

9 Q. And if I have memorized my seed keys and someone
10 steals my Trezor or my house burns down, what would I do to
11 get my money back?

12 A. You just get another Trezor, load the seed keys into
13 that Trezor, and now you have access to your bitcoin.

14 Q. And you said it also -- the software instructs you to
15 write that down. Is there a limit to how many copies you
16 can make of that?

17 A. No.

18 Q. Can you store that anywhere on the Internet, those
19 words?

20 A. You can, yes.

21 Q. Is there anything special about those words, or are
22 they just random words that the software picks for you?

23 A. They're random words. They're taken from a set of
24 known words, though.

25 Q. When was this document last edited? Does Google Drive

1 tell you when the document was last edited?

2 A. Yes, it does.

3 Q. When was this exact document last edited?

4 A. October 18, 2018.

5 Q. Thank you.

6 So we've already reviewed Government's Exhibit 12, 13,
7 and 14.

8 I'm sorry. We have not reviewed 13, but we'll come
9 back to that.

10 I would like to skip to 15, please.

11 Do you recognize Government's Exhibit 15?

12 A. Yes, I do.

13 Q. What is that?

14 A. So this is a Trezor that I found during the search
15 warrant that was taped underneath the desk on the second
16 floor, or on the -- in the HWI business suite.

17 Q. And we'll talk about that search warrant in more
18 detail.

19 THE COURT: I'm sorry. You just said this was
20 taped under the desk where?

21 THE WITNESS: In HWI.

22 BY MR. RIEDL:

23 Q. Which stands for?

24 A. Harmon Web Innovations.

25 THE COURT: Okay.

1 BY MR. RIEDL:

2 Q. So during the search of the Harmon Web Innovations
3 place of business, did you participate in that search?

4 A. Yes, I did.

5 Q. And was this one of the items that you located?

6 A. Yes, it is.

7 Q. And you said this is a Trezor like you just described,
8 capable of containing cryptocurrency?

9 A. Yes, it is.

10 Q. And it was specifically found in what state, or where
11 was it recovered?

12 A. It was underneath a desk, taped or attached to the
13 underside of a desk using double-sided tape.

14 Q. And is that why the picture is kind of crummy?

15 A. Yes.

16 Q. Okay. And we'll come back to that in a little bit.

17 I would like to skip back now to Government's Exhibit
18 13.

19 What is that, please?

20 A. This is a photo of a phone that we recovered right
21 next to Larry Harmon when we executed the search warrant.

22 Q. Were you able to determine whose phone it was?

23 A. Yes.

24 Q. Whose?

25 A. Larry Harmon.

1 Q. How do you say that? Why do you say that?

2 A. Number one, it was right next to him when we did the
3 search warrant.

4 We've also done forensic analysis of the phone, and
5 we've found out the Apple I.D. of the phone is
6 larry@hwisite.com, e-mail address that we discussed earlier.

7 Q. Thank you.

8 And the screen that's live on the phone right here,
9 what is this?

10 A. This is an app where you can enter in your
11 cryptocurrency, the volume that you have, and it will update
12 with the different price changes of cryptocurrency.

13 Q. So it will update based on the current value of the
14 cryptocurrency?

15 A. Correct.

16 Q. And this is done in realtime, or near realtime, as you
17 run the app; is that correct?

18 A. That's correct.

19 Q. And in the top left, or near the top left of that
20 screen, it lists a value.

21 What is the value listed there?

22 A. \$47,740,800.

23 Q. And is that in United States dollars?

24 A. Yes.

25 Q. We briefly touched on the fact that there were search

1 warrants executed in this case.

2 Are you familiar with the search warrants that were
3 executed?

4 A. Yes.

5 Q. You mentioned you participated in one at a business,
6 but I would like to first talk about a search warrant in
7 Belize.

8 Are you aware that there was a search warrant executed
9 in Belize?

10 A. Yes, I am.

11 Q. And was that search warrant conducted on the same
12 address that was pictured in the Google Glass photograph
13 that we just viewed?

14 A. Yes.

15 Q. And that was in Government's Exhibit 8.

16 What was recovered of evidentiary value from that
17 search warrant?

18 A. There were hard drives that were recovered from there.
19 And there were two Trezors.

20 Q. So that's in addition to the one that you found in the
21 business, there were two different Trezors found in Belize;
22 is that right?

23 A. That's correct.

24 Q. Whose condo was that in Belize?

25 A. That was Larry Harmon's.

1 Q. How long has he owned or had -- "owned" isn't the
2 right word, but how long has he leased that condo?

3 A. Since October 2014.

4 Q. And what is the monthly lease payment on that condo?

5 A. \$2,000.

6 Q. How did he pay that? In what format did he pay?

7 A. In cash.

8 Q. Every month?

9 A. Yes.

10 Q. Was there also a search warrant executed at the
11 defendant's residence in Bath, Ohio?

12 A. Yes.

13 Q. And what was found in that residence?

14 A. We found seed keys in a safe, and we found
15 electronics.

16 Q. So when you say you found seed keys, what does that
17 look like?

18 A. Those are the written words that are used to generate
19 your Trezor or your other hardware wallet.

20 Q. So we've talked about Trezors as if they're the only
21 hardware wallet out there. But there are actually a wide
22 variety of these cryptocurrency hardware wallets around?

23 A. Yes.

24 Q. So just finding a list of seed keys, does that
25 automatically tell you which hardware wallet that goes to?

1 A. No.

2 Q. Are there also software wallets that don't rely on any
3 physical hardware?

4 A. Yes.

5 Q. And do those sometimes rely on seed keys?

6 A. Yes.

7 Q. And you said -- was there also at that residence
8 recovered a Cobo vault?

9 A. Yes.

10 Q. What is that?

11 THE COURT: I'm sorry. Could you repeat that
12 word?

13 MR. RIEDL: A Cobo vault, C-O-B-O vault.

14 THE COURT: Okay.

15 THE WITNESS: That's a hardware wallet similar to
16 a Trezor, but it advertises having military grade
17 encryption, meaning more secure than a typical hardware
18 wallet.

19 BY MR. RIEDL:

20 Q. We've talked already about the fact there was a search
21 done at a business that you participated in; is that right?

22 A. Yes.

23 Q. And was the search -- were there two different search
24 warrants, one for the second floor and one for the third
25 floor?

1 A. Yes, there were.

2 Q. Which floor did you assist in searching?

3 A. The second floor.

4 Q. Thank you.

5 And what was, generally, what was the second floor of
6 this building? What was its business?

7 A. The label on the door was HWI, Harmon Web Innovations.

8 Inside of the business itself was kind of part
9 business, part living quarters.

10 The business part of it, there was a desk with a
11 couple monitors on it. And then the living quarter side of
12 it, there was a large couch, projector TV, kitchen area.

13 And then towards the back there were other rooms that
14 were -- looked to be used for storage.

15 Q. Was there any evidence that HWI had employees?

16 A. No.

17 Q. Has the IRS conducted an investigation into the
18 financial means of HWI --

19 A. Yes.

20 Q. -- where its money came from?

21 Can you tell us what you found?

22 A. We found that 95 percent of the deposits into HWI came
23 from bitcoin that had been converted either to cash or to
24 U.S. dollars and then wired into the account.

25 Q. When IRS agents first made entry into that second

1 floor, was the defendant there?

2 A. Yes.

3 Q. Where was he?

4 A. He was on the couch.

5 Q. Okay. And what items were near him on the couch of
6 relevance to this case?

7 A. The cell phone.

8 Q. And the couch was adjacent to, I think you already
9 said, a desk; is that right?

10 A. Yes.

11 Q. What was found on that desk?

12 A. On the desk was a laptop. And then underneath the
13 desk is where I found the Trezor.

14 Q. Did you also find documents relating to the
15 defendant's identity?

16 A. Yes.

17 Q. What was found?

18 That was a bad question.

19 Did you find the defendant's wallet?

20 A. Yes.

21 Q. Where was that found?

22 A. That was next to the desk, kind of on a window sill.

23 Q. And did you look inside the wallet?

24 A. Yes.

25 Q. What was in there?

1 A. There were credit cards, there was cash, and there was
2 a driver's license.

3 Q. Whose name was the driver's license in?

4 A. Larry Harmon.

5 Q. And was it in fact Larry Harmon's driver's license?

6 A. Yes.

7 Q. The other items in the wallet, the credit cards, were
8 those also in Larry Harmon's name?

9 A. Yes.

10 Q. The phone that we've already talked about and we've
11 seen in Government's Exhibit 13, has a search been started
12 of that phone?

13 A. Yes.

14 Q. And were items of interest relating to this
15 investigation found on that phone?

16 A. Yes.

17 Q. Can you describe that?

18 A. So we found an invoice dated April 2018 that showed a
19 private plane that was used to fly from Cleveland to
20 Jamaica. And that was four passengers, including Larry
21 Harmon and his wife.

22 Q. Were there also items relating to Helix on the phone?

23 A. Yes.

24 Q. Can you describe that?

25 A. We found bitcoin addresses that were traced -- or had

1 received bitcoin that was traced back to known Helix
2 addresses.

3 Q. Were there SMS messages on the phone relating to
4 Helix?

5 A. Yeah -- well, we believe they're related to Helix.

6 What we found were text messages that were received
7 that said "RPC_dirty." And there was a value there, for
8 example, 34.1784632, but just -- that's not what it actually
9 said, but it was a long -- I'm getting at, it was a long
10 string of numbers which would be similar to how bitcoin is
11 handled.

12 And then there was an "RPC_" I believe it said
13 "clean." And then there was another number after that.

14 Q. And so that language of "dirty" and "clean," is that
15 the same language we saw back in the exhibit talking about
16 how Helix works in Government's Exhibit 3?

17 A. Yes.

18 Q. During the investigation -- you already mentioned the
19 private flight to Jamaica -- did the IRS uncover evidence
20 that the defendant took other private flights?

21 A. Yes. In December 2018, the FBI did a surveillance on
22 Larry Harmon and followed him to Cleveland --

23 THE COURT: I'm sorry, that was December what?

24 THE WITNESS: 2018.

25 Followed him and watched him board a charter flight.

1 BY MR. RIEDL:

2 Q. Did the defendant travel to -- in addition to the
3 private flights we've discussed, did the investigation
4 reveal that the defendant traveled to Belize frequently?

5 A. Yes.

6 Q. We talked about the fact that there was also a search
7 warrant signed for the third floor of that same building.
8 You searched the second floor. There was also a search
9 warrant on the third floor.

10 Were there items relevant to this investigation
11 recovered on the third floor?

12 A. Yes. There was a safe on the third floor that
13 contained seed keys. There were electronics also on the
14 third floor that were seized.

15 Q. And when we've talked about electronics being seized,
16 is the investigation or search of those electronics complete
17 as we sit here today?

18 A. No.

19 Q. Is that effort ongoing?

20 A. Yes.

21 Q. What was the third floor of that building? What was
22 there?

23 A. Coin Ninja, which was a business operated by Larry
24 Harmon.

25 Q. And what did it do?

1 A. It did -- I would say similar to an app called Venmo,
2 but I would have to explain that, too.

3 But it basically does -- it has an app called DropBit,
4 and if you download the app on your phone, you can receive
5 bitcoin from other DropBit users just via text or e-mail.

6 Q. So it allowed people to send and receive bitcoin?

7 A. Correct.

8 Q. And in a business operating like that, is a business
9 like that required to register itself as a money remitting
10 business?

11 A. Yes.

12 Q. And was Coin Ninja registered as a money remitter?

13 A. No.

14 Q. To the best of your knowledge in this investigation,
15 was Coin Ninja following Know Your Customer procedures to
16 register users?

17 A. I'm not sure.

18 Q. Was there also a search warrant conducted of a
19 residence in California?

20 A. Yes.

21 Q. When was that conducted?

22 A. These days are blending together. It was yesterday.

23 Q. And whose name was that lease in at the residence in
24 California?

25 A. Larry Harmon.

1 Q. And how much does he pay per month for that lease?

2 A. \$3,500.

3 Q. Was there a Ledger wallet that was recovered in that
4 residence?

5 A. Yes.

6 Q. What is a Ledger wallet?

7 A. Ledger is another hardware wallet very similar to
8 Trezor.

9 Q. How did agents become aware that there was a residence
10 in California?

11 A. We found documents during the search warrants on
12 Thursday.

13 Q. So is it fair to say that the investigation into
14 locations and additional wallets is ongoing?

15 A. Yes.

16 MR. RIEDL: Could I have one moment, Your Honor?

17 THE COURT: Yes.

18 MR. RIEDL: I have no further questions for the
19 witness at this time. Thank you.

20 THE COURT: All right. Your witness.

21 MR. FLOOD: Your Honor, do you mind if we take a
22 90-second break before I start my questions?

23 THE COURT: Okay. It's already five minutes
24 after 4:00. So you're taking a short break?

25 MR. FLOOD: Just one minute, Your Honor.

1 THE COURT: All right.

2 (Pause.)

3 MR. FLOOD: Thank you.

4 Do you want questioning from the podium?

5 THE COURT: I would prefer that.

6 MR. FLOOD: Okay. Thank you.

7 CROSS-EXAMINATION OF JEREMIAH HAYNIE

8 BY MR. FLOOD:

9 Q. Good afternoon, Agent.

10 A. Good afternoon.

11 Q. I want to back up a little bit and go kind of big
12 picture on bitcoin.

13 What is a bitcoin?

14 A. It's an electronic transfer of value.

15 Q. But just in its basic sense, it's a string of numbers
16 and letters, right?

17 A. A bitcoin address is, yes.

18 Q. A bitcoin address is.

19 And a bitcoin address is what one uses to transact
20 bitcoin? It is the address itself, right?

21 A. It's like an account number.

22 Q. It's like an account number.

23 And bitcoin, contrary to popular belief, is traceable,
24 right, because it has the addresses built into it, correct?

25 A. We call it pseudoanonymous.

1 Q. Right, because cash is anonymous. I mean, cash, if I
2 had a \$20 bill, it has a number on it that the Treasury put
3 on there, but no one knows where it's been, right?

4 A. Yeah. So if you continue with that analogy, if you
5 send me bitcoin, I know it came from you. I know your
6 bitcoin address. If you give me cash, I know that cash came
7 from you. So that's why we call it pseudoanonymous.

8 Q. Right, and so bitcoin is a little bit -- if cash had,
9 every time it changed hands it gave the identifier of the
10 last person who had it, right? So when you had the \$20
11 bill, it lists the 50 people who've ever had it. Does that
12 make sense?

13 A. You're talking about the actual, like, identifying
14 information for these people?

15 Q. Yeah -- well, no. The address of where it came from
16 and who it went to?

17 A. Okay.

18 Q. That's what a bitcoin has?

19 A. Yes.

20 Q. And so this mixer or tumbler takes off or it
21 adds -- doesn't take off anything, correct? The tumbler or
22 mixer doesn't take any digits from the bitcoin?

23 A. Oh, no. You can't change the bitcoin address.

24 Q. You can't change the address. So what this mixer does
25 is it adds so much information you can't tell where it came

1 from recently, correct?

2 A. I'm not sure what you mean by adding information.

3 Q. You can't tell the address the bitcoin came from
4 because it has been mixed in with other bitcoins?

5 A. Yes, but it also, in doing that -- so the steps to
6 mixing your bitcoin -- or from a user standpoint, using a
7 mixer as a user, what I do is I send my bitcoin to the
8 mixer.

9 And then -- so I send my bitcoin to the user -- or to
10 the mixer, and it -- before I even do that, I log into the
11 mixer or I access the mixer, and it gives me a bitcoin
12 address to send my bitcoin to.

13 I send my bitcoin to that address.

14 Q. And we don't have to be so -- looking at Government's
15 Exhibit 3, say this is what you were using, right? You're
16 using this Helix program, and it's
17 changing -- re-anonymizing the bitcoin, right? Does that
18 make sense?

19 A. It's laundering the bitcoin.

20 Q. Well, it wasn't dirty. It's just changing where it
21 came from, right?

22 A. Okay. So if we're -- in your example the bitcoin is
23 coming from?

24 Q. Me. Let's say I send you a bitcoin. When you get it,
25 it would have my address on it. Right?

1 A. Okay. Yes.

2 Q. If I didn't want you to know my address, I would send
3 it to a mixer who would send it to you, right?

4 A. That would work, yes.

5 Q. And it would no longer come from me? I mean, it would
6 no longer say that it came from me on the bitcoin?

7 A. Correct.

8 Q. Okay. Is that legal?

9 A. The bitcoin that you're sending is not from an illegal
10 source?

11 Q. Right.

12 A. And we're not transacting anything illegally?

13 Q. Right.

14 A. That's legal, yes.

15 Q. And so there is nothing illegal about mixing bitcoin?

16 A. As long as the mixer is not transacting anything dirty
17 and also registered with FinCEN and the state that it's
18 dealing with.

19 Q. So if registered --

20 THE COURT: Sorry. You said a couple things
21 there. As long as what?

22 THE WITNESS: As long as the mixer -- as long as
23 the bitcoin that's being transacted is not dirty, it doesn't
24 come from an illegal source, and that mixer is required,
25 being a money transmitter, to register as a money service

1 business with FinCEN and with the states of both me and you,
2 wherever we are residing or transacting from.

3 BY MR. FLOOD:

4 Q. How long has that been the law on these
5 cryptocurrencies because I know it's changing all the time?

6 A. I believe FinCEN came out with that guidance in
7 definitely 2015, but maybe as far back as 2013.

8 Q. And just for the record, a lot of this stuff we're
9 talking about is somewhat historical. This Helix thing shut
10 down in 2017; is that right?

11 A. Correct.

12 Q. And so when we talk about that, we're talking about an
13 older -- or a relatively older investigation into Helix,
14 correct?

15 A. Relatively, sure.

16 Q. And going back to Exhibit 3, this is the way it works.
17 So you put in the address -- in the box that says "Let's
18 Go," this is a bitcoin address, I'm assuming?

19 A. Yes.

20 Q. And the user types in this, types "Let's Go," and then
21 does it tell Helix where the money goes to after that?

22 A. In this case here, it is telling Helix, I want to send
23 my bitcoin to 1Hsn76.

24 Q. Oh, I see. Okay. So that's the -- that's not the
25 "from." That's the "to" box?

1 A. Correct.

2 Q. Where is the "from" box?

3 A. So the from would be just from me. But what happens
4 after you hit "Let's Go" is another address appears. This
5 one from Helix. And that's where you send your bitcoin.

6 You send it to that address. Helix now has control
7 over that bitcoin. And you've already given it a place to
8 send it which is the address you put into the "Let's Go"
9 box.

10 Q. So it's basically just an exchange of bitcoin for a
11 fee, right?

12 A. Yes.

13 Q. And so all you're doing is saying, okay, I don't want
14 this bitcoin associated with my address, so give me one that
15 doesn't have my address on it and I'll pay you two and a
16 half percent to do so?

17 A. Yeah. As it says, it says "send your dirty coins to
18 the Helix address," and then clean coins come to your
19 bitcoin address.

20 Q. All right. And turning to Government Exhibit 4, so
21 this bad guy looking criminal on the top and left here,
22 there is approximately -- these are the marketplaces, right?

23 A. Correct.

24 Q. And these marketplaces would, I guess, I think later
25 in the exhibits you all identified I think approximately

1 40,000 -- okay. That's Exhibit 5.

2 There is -- I roughly added up those bitcoin deposits,
3 you know, approximately 40,000 bitcoin deposits from these
4 marketplaces, right?

5 A. Correct.

6 Q. When this is used, does it look like it does on
7 number -- on Exhibit 3 where it's just random addresses or
8 random letters and numbers typed into this page?

9 I mean, there is no names or anything, right?

10 A. Correct.

11 Q. You don't see "AlphaBay Market" on anything?

12 A. That's correct.

13 Q. So when we look at Government's Exhibit 4, we've got
14 approximately 40,000 bitcoin that you all have traced back
15 to these marketplaces. But there wouldn't be anything
16 within the Helix system that would know that these came from
17 these marketplaces, right?

18 A. Well, part of registering with FinCEN is having Know
19 Your Customer controls in place and, too, money laundering
20 controls, that type of thing.

21 And so that, doing that correctly would give you
22 access to the same tools that we use to figure this out.

23 So yes, you would be able to see where the bitcoin was
24 coming from.

25 Q. Yeah, but you answered a different question.

1 If they had registered and gone through all this, they
2 would be able to see that this came from the marketplace,
3 right?

4 A. Well, if they used -- yes. Right.

5 Q. But as it stood in 20--what? How long was this, '14
6 through '17 or something?

7 As it stood then, they did not see the people who had
8 sent the money into the Helix system, right? They couldn't
9 see who that is?

10 A. Well, I'm saying they could have.

11 Q. But they didn't?

12 A. Okay.

13 Q. I'm saying, the only way they would know how to do
14 that was if they had gone through the registration process
15 and done all these things?

16 A. Well, not necessarily. That's one of the things that
17 will come with that is the fact that you have to have these
18 controls in place.

19 But you could know that without even having to go
20 through those --

21 Q. How would --

22 A. Well, number one, the whole point of the mixer is to
23 defeat the bitcoin analytics tools that are out there.

24 And so if Helix was truly intent on keeping money
25 laundering out of its purview, then it would use those same

1 analytics tools to figure out who their customers are and
2 where their bitcoin is coming from.

3 Q. But as it stood with just you entering -- like on
4 Government Exhibit 3, you're just entering numbers. As it
5 stood, these are unknown people, right?

6 I mean, it even says you guys have identified 40,000
7 of them as these criminal guys, but you have 290,000
8 bitcoins from unknown people, right?

9 A. Correct.

10 Q. And so what is that? 12 -- 40 percent -- what
11 percentage is that? That's -- you've got 10, 15 percent
12 coming from who you believe are going to these markets,
13 right?

14 A. Approximately.

15 Q. Yeah. I mean, you're not held to the math.

16 A. Okay.

17 Q. Although you're probably way, way better at math than
18 I am.

19 So you all can't identify these unknown customers.
20 And the only reason you all can identify these marketplaces
21 is because you have subsequently identified these
22 marketplaces, right? And you see -- how do you all know
23 that these transactions are going into Helix from that
24 marketplace?

25 A. A lot of that is from these bitcoin analytics tools

1 who use heuristics and their own type of, I guess,
2 proprietary analysis to label as much as they can of the
3 bitcoin addresses that are out there and who they belong to.

4 So in this case, they're finding Darknet markets and
5 finding their bitcoin addresses, and when we run their
6 software, we can see what that address is.

7 Q. And I want to talk about the Darknet markets real
8 quick because this Grams thing, Exhibit 1, which I'll give
9 you is probably a blatant Google trademarking problem, but
10 that's not what we're here for.

11 You all have typed "cocaine" into the search bar. You
12 can type "neck ties," right?

13 A. You could, yes.

14 THE COURT: I'm sorry. Which exhibit are you on?

15 MR. FLOOD: I'm sorry, Your Honor. I'm jumping
16 around a little bit. I was back to the search which is
17 Exhibit 1.

18 THE COURT: I think it's Exhibit 2.

19 MR. FLOOD: I'm sorry. That's the search
20 results. The search box is 1. The search results where
21 they have entered "cocaine" and we can see that there are
22 people selling cocaine.

23 BY MR. FLOOD:

24 Q. But my point, Agent, is although you have identified
25 these markets, you haven't identified any of the products,

1 right?

2 A. Well, I put it on these markets, yes.

3 Q. No, I mean specific to these transactions that you
4 have in the flow chart on Exhibit 4, while you all have
5 identified some marketplaces, have you identified specific
6 transactions and know what the product was?

7 A. I know that we've used undercover transactions to send
8 bitcoin through, but I am not sure if those transactions
9 came from -- they definitely came from AlphaBay, for
10 example, but I'm not sure if the bitcoin that funded that
11 undercover account was, like, as a result of an illegal
12 transaction.

13 Q. And when AlphaBay got shut down, I guess you all shut
14 down AlphaBay in 2017; is that right?

15 A. Correct.

16 Q. Not you all, but the United States government?

17 A. Correct.

18 Q. And subsequently Helix was shut down, correct?

19 A. Helix shut itself down, yeah.

20 Q. Helix shut itself down.

21 So turning to Exhibit 5, all these marketplaces, you
22 all have researched these and have learned that they
23 transact in illegal goods, correct?

24 A. Correct.

25 Q. But you have not tied these specific transactions to

1 illegal goods?

2 A. That's correct.

3 THE COURT: Mr. Flood, I want to make sure we
4 know what we're doing here. This is not a preliminary
5 hearing to determine whether probable cause exists for the
6 charges made against the defendant. That has already been
7 determined by the grand jury in the District of Columbia.

8 MR. FLOOD: I understand, Your Honor. I'm just
9 going into the weight of the evidence against Mr. Harmon
10 pursuant to 18 U.S.C. 3142.

11 THE COURT: Okay.

12 MR. FLOOD: As one of the things this Court can
13 consider, Your Honor.

14 BY MR. FLOOD:

15 Q. And just as a general matter, Agent, there is nothing
16 illegal about wanting anonymity or privacy, correct? It's
17 one of our fundamental rights as Americans.

18 A. There is nothing illegal about that, correct.

19 Q. And so the notion of taking your address off of your
20 bitcoin isn't illegal, and it doesn't violate our -- meaning
21 it's not improper to want to do?

22 A. Correct.

23 Q. And so when the term "dirty coins" is used, you said
24 that's because they're from illegal gains. But the "dirty"
25 in that word could be because it has your address on it.

1 Right? And the goal is to not have your address on it.

2 A. I'm not sure where -- I don't agree with the statement
3 the goal is not to have your address on it.

4 Q. Well, isn't -- the goal of using this mixer is to
5 conduct the transaction anonymously, correct?

6 A. Yes.

7 Q. And so this mixer takes your address out of it so it's
8 no longer tied to you, correct?

9 A. Correct.

10 Q. And so the goal of using it is to take your address
11 off of it, right? Isn't that the whole point?

12 A. Well, it can be used for that, yes. More of the goal
13 when we're talking about transactions from the dark web
14 here, though, is for dark web vendors who receive bitcoin
15 for selling drugs, for example, those vendors are typically
16 not able to pay their rent in bitcoin. So they need to get
17 that bitcoin out.

18 Well, right now it's in AlphaBay, which these bitcoin
19 analytics tools and law enforcement know the bitcoin
20 addresses associated with AlphaBay, for the most part.

21 So if they went direct from AlphaBay to an exchange, a
22 company that exchanges bitcoin for U.S. dollars, if they
23 went direct there, that exchange would, again, the same
24 tools we're using, would see that that money is coming from
25 AlphaBay, and they would close the account. Might file a

1 suspicious activity report. It would come on law
2 enforcement's radar.

3 So instead, these vendors use Helix and other mixers
4 and tumblers to kind of erase AlphaBay from their history,
5 and then they can go through the exchange and cash out.

6 Q. So the tumbler or mixer could be used on both sides of
7 that transaction, is that right, because it's used by the
8 buyer and then by the market afterward?

9 A. It can be.

10 Q. I'll go into the notion of money because the
11 government spent a lot of time going over potential assets
12 that Mr. Harmon may or may not have.

13 You all seized a number of storage devices commonly
14 used to store bitcoin, correct?

15 A. Correct.

16 Q. And those are maintained by you in evidence, right?

17 A. Correct.

18 Q. And the only way Mr. Harmon would be able to access
19 any of those would be to have a 24-word code for each one,
20 correct?

21 A. He could also have copies of those Trezors or those
22 hardware wallets with family, friends, places that we didn't
23 search.

24 Q. But, I mean, to be frank, the one taped to the bottom
25 of a desk, you would assume he did not want anyone to have.

1 That was a valuable one, correct? It was hidden?

2 A. It was hidden, correct.

3 Q. And you don't have any reason other than speculation
4 to think that there are additional copies of those anywhere,
5 do you?

6 THE COURT: Additional copies of what?

7 MR. FLOOD: Of the hardware wallets, Your Honor,
8 that hold the bitcoins.

9 THE COURT: All the conceivable hardware wallets,
10 or which ones are you talking about?

11 MR. FLOOD: I believe they seized four or five.

12 BY MR. FLOOD:

13 Q. And my question is, really, if --

14 MR. FLOOD: I'll make the point better in
15 argument, I promise. But the point is, Your Honor, they
16 already have these devices. And I'm asking the government
17 whether they have any reason to believe that there are
18 copies of these devices anywhere else, or any others out
19 there that you believe belong to Mr. Harmon?

20 THE WITNESS: Yes. Just based on the fact
21 that -- how spread out these devices were, right? We found
22 one here in Akron under the desk. We found two in Belize.
23 We found one in California. All these places are in the
24 name of Larry Harmon. They're all leases or things that are
25 owned by him.

1 And so who knows the places that we weren't able to
2 search. Just the nature of how spread out these were and
3 the fact that they were concealed, who knows how many other
4 places they are. Who knows the places that we may have
5 missed in the places that we actually did search.

6 BY MR. FLOOD:

7 Q. Right. So you can speculate, but you don't know. Who
8 knows?

9 A. Well, if I knew, then we would have --

10 Q. Right. And you did a lot of these searches and you
11 went to these places he leases and you found these devices,
12 correct?

13 A. Correct.

14 Q. And each one would require a 24-word code. Would it
15 be a different one for each?

16 A. So the 24-word code is only to generate or renew or
17 whatever. Like, if you had a brand new Trezor wallet, you
18 entered in those 24 code, that would give you access to your
19 private key that was on another Trezor wallet.

20 Q. I see.

21 A. But if you have just a Trezor wallet that's already
22 ready to go, it already has those words entered in, then all
23 you do is enter a pin to unlock it. You have to plug it
24 into your computer, run the software, and enter a pin.

25 Q. I want to turn real quickly to Government's Exhibit 8.

1 THE COURT: Excuse me a minute. I need to check
2 something.

3 MR. FLOOD: Sure.

4 (Pause.)

5 THE COURT: I would like to get an estimate from
6 counsel for how much longer you believe you're going to be
7 because we do have transport issues to get the defendant
8 back to the facility that the marshals need to transport.

9 MR. FLOOD: I have probably five minutes of
10 questioning at the most. I was solely going to proffer his
11 family members. So I'm not going to have much of a case,
12 Your Honor. It will -- I can be done in ten minutes. I
13 don't know about the government.

14 MR. RIEDL: As it stands now, Your Honor, I would
15 have approximately a five-minute redirect.

16 THE COURT: All right. But then we have,
17 following that, you have -- this is your witness. You have
18 additional evidence you're planning to present?

19 MR. RIEDL: The government has no additional
20 evidence. We would proffer the indictment and the
21 government's brief that we filed but no additional
22 witnesses.

23 THE COURT: And then both sides will be
24 presenting arguments?

25 MR. RIEDL: I could be done in five minutes with

1 argument.

2 THE COURT: And what about defendant's argument,
3 Mr. Flood?

4 MR. FLOOD: Yes, Your Honor. Five minutes at the
5 most.

6 THE COURT: All right. Well, we'll continue.

7 Of course I have heard counsel make statements before
8 like "I've only got five minutes" and it turns into
9 considerably longer than that. Hopefully that won't be the
10 case today. But counsel do tend to use more time than they
11 estimate.

12 MR. FLOOD: I'm going to use less, Your Honor.

13 BY MR. FLOOD:

14 Q. Agent, the picture on Government's Exhibit 8 and 9,
15 you don't know who took that photo, right?

16 A. No.

17 Q. This Coin Ninja and DropBit, the business you raided
18 the other day, there is nothing illegal there, is there?

19 A. Coin Ninja is not registered as an MSB.

20 Q. But it's on the clear web, meaning it's on the web
21 that everyone sees all the time that's not hidden in any
22 way, correct?

23 A. Correct.

24 Q. But it may not be properly registered as a money
25 transmitting business; is that right?

1 A. That's correct.

2 THE COURT: You had another name you were asking
3 him about. What was that, besides Coin Ninja?

4 MR. FLOOD: DropBit is, I believe, the program
5 that the app that Coin Ninja made. Is that --

6 THE WITNESS: That's my understanding, yes.

7 BY MR. FLOOD:

8 Q. Okay. And that doesn't have anything to do with the
9 dark web. That's just something that one coin -- one holder
10 of a bitcoin could send someone else a bitcoin using that
11 program?

12 A. Correct.

13 MR. FLOOD: That's all I have, Your Honor.

14 THE COURT: All right. Mr. Riedl.

15 MR. RIEDL: Thank you, Your Honor.

16 REDIRECT EXAMINATION OF JEREMIAH HAYNIE

17 BY MR. RIEDL:

18 Q. Are bitcoin addresses associated with an individual
19 just like a bank account would be?

20 A. No.

21 Q. Can you describe that?

22 A. Just on its own, a bitcoin address -- if all I had was
23 a bitcoin address, I do not know typically who it's
24 associated with unless it's -- unless it's spent with
25 somebody I know, for example. Then I would know who has it.

1 But just a bitcoin address itself, no.

2 Q. And as an investigator, if all you have is that
3 bitcoin address, can you send a subpoena to a bank to find
4 out who owns that address?

5 A. No.

6 Q. But you were asked questions about whether bitcoin is
7 traceable. You said it was pseudoanonymous.

8 So how can you trace or track bitcoin?

9 A. So if we know one side of the transaction when bitcoin
10 is spent, then, you know, we can take the steps to trace
11 where it came from.

12 If our blockchain analysis software knows where the
13 addresses came from or knows from its heuristics who the
14 address might be controlled by, then we can take steps to
15 try to figure out who actually controls the address.

16 Q. And what if that bitcoin passed through a tumbler?
17 How does that affect your ability to trace the bitcoin?

18 A. It's typically a dead end.

19 Q. You were asked questions if you can -- whether an
20 individual looking at the blockchain can tell if bitcoin
21 came from an illegal source. And you answered just based on
22 looking at an address you can't tell that.

23 But are there sometimes surrounding evidence that you
24 can use to tell whether someone knew if bitcoin came from an
25 illegal source?

1 A. Again, we would use blockchain analysis software to
2 try to figure out how close that bitcoin was to an illegal
3 entity like the Darknet market.

4 Q. And I would like to ask specifically about Helix. Did
5 the IRS uncover evidence that Helix, or the administrator of
6 Helix, you've already said is Larry Harmon, knew that the
7 money going into Helix was from an illegal source?

8 A. Yes. Helix worked closely with AlphaBay.

9 Q. And was, according to Government's Exhibit 5, was
10 AlphaBay the number one contributor of funds to Helix?

11 A. Yes.

12 Q. If someone went to AlphaBay, you were asked questions
13 about -- well, we'll get to that in a second.

14 But if someone went to AlphaBay, would they have any
15 doubt what AlphaBay is selling?

16 A. No. Once you log in, there is, similar to
17 these -- there is vendor advertisements and there is photos
18 of drugs for the most part.

19 And on the left-hand side there were categories which
20 were different drugs, MDMA, meth, ecstasy, marijuana. Those
21 type of categories were on the website.

22 Q. And you were asked -- in Exhibit 2 there was a search
23 typed in for cocaine, and you were asked could you also have
24 searched Grams for neck ties. And you said, well, you
25 could.

1 Have you ever seen a neck tie for sale on the dark
2 web?

3 A. I have not.

4 Q. And so based on your training and experience, what was
5 Grams used to search for? If you're searching the
6 marketplace as the Grams wiped, what were you searching for?

7 A. You were searching for illegal items.

8 Q. You were asked several questions about whether items
9 had been seized and assets had been seized.

10 Government's Exhibits 11 and 13 are charts,
11 Government's Exhibit 11 being the Google Drive chart and 13
12 the list from the defendant's phone.

13 Have all of the assets that are listed there, those
14 tens of millions of dollars, have those assets already been
15 seized by law enforcement in this investigation?

16 A. No.

17 Q. Are there in fact tens of millions of dollars that
18 have not yet been seized in this investigation?

19 A. Yes.

20 Q. Switching gears slightly, can a single bitcoin address
21 be stored on multiple devices?

22 A. Yes.

23 Q. And in addition to being stored on multiple hardware
24 devices, can that same old bitcoin address also be stored on
25 electronic or soft wallets?

1 A. Yes.

2 Q. We talked about things that you could find on the dark
3 web. And you said you'd never seen neck ties.

4 Have you seen fraudulent identity documents for sale
5 on the dark web?

6 A. Yes, I have.

7 Q. Is that a commonly listed item for sale?

8 A. Yes, it is.

9 MR. RIEDL: Thank you. No further questions.

10 MR. FLOOD: Your Honor, just three quick ones.

11 THE COURT: I'm not going to let this go on
12 forever.

13 MR. FLOOD: No, I understand.

14 THE COURT: You'll get your three questions, and
15 then he's going to want questions.

16 So we're shortly going to conclude.

17 MR. FLOOD: Okay. I understand, Your Honor.

18 RECROSS EXAMINATION OF JEREMIAH HAYNIE

19 BY MR. FLOOD:

20 Q. Agent, to your knowledge has there been another money
21 laundering prosecution of bitcoin mixing ever?

22 MR. RIEDL: Objection. Relevance.

23 THE COURT: I'll allow it.

24 THE WITNESS: The Bestmixer out of the
25 Netherlands, an investigation by the Netherlands police into

1 a mixer called Bestmixer.io was just a year ago, maybe.

2 BY MR. FLOOD:

3 Q. In e-mail prior from the government, they said they
4 were monitoring Mr. Harmon's bitcoin accounts.

5 Can you all monitor his accounts to see whether
6 transactions are made from his accounts while he's in
7 custody?

8 A. The accounts we know about, yeah.

9 MR. FLOOD: That's all I have, Your Honor. Thank
10 you.

11 THE COURT: All right.

12 Mr. Riedl, did you have anything else?

13 MR. RIEDL: No, Your Honor. Thank you.

14 THE COURT: You may step down.

15 I did have one question for you. At the very outset
16 you were stating your name. And I had been told your name
17 was Jeremy, but I thought I heard you say Jeremiah.

18 THE WITNESS: Jeremiah it is, yes.

19 THE COURT: Okay. All right. Thank you. That
20 was all I wanted to know.

21 So, Mr. Riedl, have you concluded your evidentiary
22 presentation?

23 MR. RIEDL: Essentially, Your Honor, we would ask
24 the Court to take note of the indictment which I believe you
25 essentially have in your statements but also proffer the

1 statements in the government's memorandum in support of
2 pretrial detention.

3 THE COURT: Well, both of those items are on the
4 docket. So they're part of the case file. The memorandum
5 was filed this morning, I believe.

6 MR. RIEDL: That's correct, Your Honor. Thank
7 you.

8 THE COURT: All right. And at this point, it's
9 defendant's opportunity to present evidence. So, Mr. Flood.

10 MR. FLOOD: Thank you, Your Honor. I would just
11 proffer that Mr. Harmon's family and friends are present,
12 Your Honor.

13 Present are his father, Larry Senior; his sister,
14 Carrie; his mother, Mary; Mr. Harmon's wife, Margo; and his
15 brother, Darrie.

16 I would ask the Court to take note of the Pretrial
17 Services report.

18 And the testimony, if they were called, would be that
19 each of them would put up whatever they can in terms of
20 bond. I know Mr. Harmon Senior, Larry Harmon Senior, has
21 been interviewed and does have sufficient property, if the
22 Court wanted property security for bond.

23 I think that would be -- in terms of the proffer from
24 the defense, Your Honor, that would be it, that he is a
25 life-long resident of Akron, Ohio. He does not own any

1 property in Belize or California. Those are leased
2 properties, Your Honor.

3 In terms of evidence, that's all.

4 THE COURT: All right. So you did, I believe,
5 proffer -- you didn't use the word "proffer." You asked me
6 to take note of the Pretrial Services report.

7 MR. FLOOD: I'm sorry. I would proffer the
8 Pretrial Services report also, Your Honor.

9 THE COURT: Okay.

10 MR. FLOOD: Thank you.

11 THE COURT: In that regard, we do have our
12 Pretrial Services officer here, Officer Julie Gray.

13 And as I usually do, and I may ask you again later on,
14 you did submit a Pretrial Services report. I saw that
15 earlier today.

16 So you have now heard the evidentiary presentations of
17 the parties. So I would ask you at this point, did you have
18 anything you wish to -- do you stand by your report or
19 anything you wish to change about the report or add to it?

20 THE PRETRIAL SERVICES OFFICER: Your Honor, after
21 listening to the evidence presented today, I do have more
22 concerns regarding risk of flight based on the potential of
23 other assets, other residences. While he may or may not own
24 them, he has a lease. That's information he did not provide
25 to this officer during the interview.

1 I believe he is a risk of flight, and for that reason
2 I would change my recommendation to detention.

3 THE COURT: All right. Thank you.

4 So at this point, does that conclude your evidentiary
5 presentation, Mr. Flood?

6 MR. FLOOD: Your Honor, I failed to make the
7 Court aware that they have seized his passport also in the
8 search. I think that's important to the Court to know as
9 well.

10 THE COURT: All right.

11 MR. FLOOD: And I would also proffer, Your Honor,
12 that the Belize residence is leased by the company Coin
13 Ninja. It is not leased by Mr. Harmon personally.

14 THE COURT: And the company Coin Ninja, however,
15 is controlled by Mr. Harmon, correct?

16 MR. FLOOD: Is controlled by -- yes, I believe
17 it's a registered Delaware corporation. Yes, Your Honor,
18 controlled by him.

19 THE COURT: All right. Does that complete your
20 evidentiary --

21 MR. FLOOD: Yes, Your Honor. Thank you.

22 THE COURT: Okay. So at this time I'll hear
23 brief argument from the parties and bearing in mind that we
24 need two determinations to make.

25 The first is whether defendant sitting in the

1 courtroom is the individual named in the indictment issued
2 out of the District of Columbia.

3 The second determination is whether defendant should
4 be detained pursuant to the government's motion for
5 detention or whether he should be released on bond.

6 So you need to address both of those issues.

7 Mr. Riedl, you may proceed.

8 MR. RIEDL: Thank you.

9 Your Honor, as to the identity of the defendant, the
10 Court heard from Special Agent Jeremy Haynie from the IRS.
11 He testified -- he specifically identified the defendant in
12 the courtroom as the individual he was describing throughout
13 his testimony as Larry Harmon.

14 He detailed why he believed that that was the same
15 individual. Specifically, the e-mail accounts that were in
16 common with the defendant and with the conspiracy, or the
17 evidence of the conspiracy here, also the cell phone of the
18 defendant, the fact that that was in fact Larry Harmon's
19 cell phone, that Larry Harmon was found on the second floor
20 of the business in immediate proximity to that cell phone
21 that contained information about the bitcoin, and in
22 addition, in very close proximity to that Trezor wallet that
23 was taped with double-sided tape under the desk immediately
24 adjacent to where the defendant was when the search warrant
25 was executed.

1 If the Court would like to hear more about that, I
2 could go on, but I believe that that should be sufficient
3 for identity of the defendant.

4 THE COURT: I don't think I need anything further
5 at this point.

6 You may proceed with the rest of your argument.

7 MR. RIEDL: Thank you, Your Honor.

8 The government's argument in favor of detention relies
9 on risk of flight pursuant to 18 United States Code, Section
10 3142(e) .

11 The state of the evidence for finding risk of flight
12 is preponderance of the evidence.

13 There are three factors that the Court can consider
14 here. First is the nature and circumstances of the offense.

15 To briefly summarize what's set forth in great detail
16 in the government's memorandum, the defendant was
17 responsible for laundering more than \$300 million in
18 bitcoin, the vast majority of which came from Darknet
19 marketplaces. And those Darknet marketplaces that he was
20 associated with, or his company was associated with, were
21 involved primarily in the sale of drugs.

22 And I point to paragraph 2 of the indictment in which
23 the defendant himself stated that he believed that the
24 Darknet primarily sold drugs.

25 And also in paragraph 5 of the indictment, the

1 defendant, Mr. Harmon, himself, was advertising how Helix
2 assists in avoiding law enforcement.

3 So he was well aware that the money that he was
4 laundering was in fact drug money, was from a specific
5 unlawful activity, and he was well aware that the goal of
6 Helix was cleaning.

7 In fact, in the statement that the government
8 introduced in Government's Exhibit 3, it showed what Helix
9 does in the simplest terms. You put in dirty bitcoin, and
10 you get out clean bitcoin. And if there were a more
11 succinct description of laundering money, I don't know what
12 it would be.

13 The defendant --

14 THE COURT: Mr. Flood's theory is dirty could
15 simply mean that it would identify you. I take it you don't
16 agree with that.

17 MR. RIEDL: We don't, Your Honor, and the fact is
18 there is no evidence of that.

19 The evidence is that Helix was directly tied to
20 Darknet marketplaces that were immediately responsible for
21 selling drugs.

22 As Agent Haynie testified, if you go to AlphaBay, what
23 you're immediately confronted with is meth and cocaine and
24 drugs for sale.

25 That's what the marketplace was for. It wasn't for

1 neck ties. It was for illegal drugs. And if you went to
2 the marketplace, you would immediately be confronted with
3 that.

4 And, again, the defendant himself stated that, as put
5 forth in the indictment, the defendant himself stated that
6 he believed that the purpose of the Darknet was primarily
7 for the sale of drugs.

8 The defendant, again, talking about the nature and
9 circumstances of the offense, he is facing 235 to 293 months
10 of incarceration. And the total statutory max here would be
11 30 years if these individual offenses were run
12 consecutively.

13 So Count 1 is a stat max of 20 years, and the other
14 two offenses five years each. So he could very well be
15 facing decades in prison.

16 And he has access to the means to flee. He has access
17 to tens of millions of dollars, potentially, and he has a
18 history of international travel.

19 From the Presentence Services report, we know that as
20 recently as December of 2019, so just over two months ago,
21 he was in Belize for Christmas. And he had a residence in
22 Belize.

23 And as you heard from Special Agent Haynie, the
24 investigation is ongoing. And the agents, as recently as
25 yesterday, searched a residence tied to the defendant in

1 California that they were not aware of despite a yearslong
2 investigation until after they executed the search warrants
3 last week.

4 And so that investigation is ongoing, the
5 investigation into the assets, into the devices that were
6 seized, and even the investigation into locations that are
7 controlled or were controlled by the defendant.

8 And in that California search warrant as recently as
9 yesterday, they did find another hard wallet that
10 potentially contains cryptocurrency.

11 And Agent Haynie testified that there are tens of
12 millions of dollars in cryptocurrency currently unaccounted
13 for in this investigation. And he provided ample testimony
14 about how easy it would be for someone to recreate those
15 wallets if they were free in the community.

16 We know also from testimony that the defendant has a
17 history of using private jets to travel. So he has traveled
18 to both Jamaica and Belize on private jets.

19 And so that should also certainly cause concern for
20 the Court that he poses a risk of flight.

21 He has 47 million reasons to flee the community given
22 the length of sentence that he is serving and the
23 substantial resources that he potentially has at his
24 fingertips that the government does not have access to now.

25 I would also note for the Court that the defendant did

1 not report those assets to Pretrial Services. You heard
2 substantial evidence that the defendant has access to tens
3 of millions of dollars in cryptocurrency both from that
4 Google Drive spreadsheet on his own Google Drive and the app
5 on his own phone, both showing more than \$45 million in
6 assets and neither of which the defendant reported to
7 Pretrial Services.

8 I would note, finally, that this is an out-of-district
9 arrest. And ultimately the decision of detention would be
10 forwarded to the district court in the District of Columbia,
11 and so that judge ultimately will make the decision. But
12 obviously as we sit here today, it is this Court's decision.

13 Based on the assets the defendant has, based on his
14 history of travel, based on his false reporting to Pretrial
15 Services, he poses a very real risk of flight. There are no
16 circumstances, no conditions the Court could put in place
17 that would ensure that he will not flee this community.
18 Therefore, we would ask that he be detained.

19 Thank you.

20 THE COURT: All right. Thank you.

21 MR. FLOOD: Thank you, Your Honor.

22 THE COURT: Mr. Flood.

23 MR. FLOOD: At the outset, Your Honor, I would
24 like to point out Mr. Harmon informed Pretrial Services that
25 the government had seized all of his bitcoin. So it's not

1 listed as an asset there, but it has all been seized by the
2 government.

3 And so, you know, I don't know why the report doesn't
4 reflect that. But that's what he told Pretrial Services,
5 Your Honor.

6 THE COURT: Well, there may be a distinction
7 between what he told Pretrial Services and what the facts
8 are.

9 MR. FLOOD: Right, but the government -- okay.
10 The government has seized, and you heard from the agent, all
11 of these devices from numerous locations. And they have
12 seized those devices, and you cannot, unless you go a
13 difficult route, you cannot access that money, okay.

14 You need the devices to access the money, unless you
15 go a much different longer harder more difficult route.

16 Okay. As --

17 THE COURT: What I did hear the agent testify to
18 was that not all the assets were seized, that he believes
19 that tens of millions of dollars haven't been -- remain that
20 have not been seized.

21 MR. FLOOD: And I think the reality is, Your
22 Honor, they don't know what's on those devices because
23 they're locked. So they don't know if there is outstanding
24 assets seized or not, Your Honor.

25 THE COURT: Okay. And nor do you.

1 MR. FLOOD: Nor do I.

2 We have, just for the Court's edification, we have
3 offered to the government to unlock those devices. And we
4 did so, saying if your concern is that he will, if released,
5 get this money and flee, you may transfer the money into
6 your accounts, like a regular fraud case.

7 We have made that offer to the government, Your Honor.

8 MR. RIEDL: And to be clear, Your Honor, we
9 accept that offer. We would happily accept the information.

10 What was offered to us is if he provides you the pins,
11 would you agree to his release. And the answer there was
12 no.

13 But certainly to the extent he wishes to provide the
14 passwords and the PINs and the information that would allow
15 us to access that bitcoin, we would happily accept that
16 offer.

17 THE COURT: All right.

18 MR. FLOOD: And the point is, Your Honor, the
19 whole gist of their motion for detention is the notion that
20 he has access to money and he will, therefore, flee.

21 He's had access to money since this thing shut down,
22 obviously, in 2017 when he -- when it was shut down, not by
23 law enforcement, not by anybody else, but shut down
24 volitionally and voluntarily.

25 Your Honor, I would remind the Court that the default

1 position of the law is that the defendant should be released
2 pending trial. It is only upon a showing that no condition
3 or combination of conditions will reasonably assure the
4 appearance of Mr. Harmon at his trial.

5 Mr. Harmon is a life-long resident of Akron. His
6 grandmother was born here. They still have his
7 grandfather's ranch. His parents are here. His family is
8 here.

9 He has, despite having flown on a private plane to
10 Jamaica and having a lease on a condo in Belize, there is no
11 evidence to suggest that he would flee. There is a
12 speculation the government has that he can get out and
13 obtain this money and go to Belize.

14 That's simply not the case, Your Honor. And they've
15 not met their burden. The original Pretrial Services
16 report, not the new amended Pretrial Services report,
17 recommended a \$50,000 unsecured bond.

18 Whether or not the defendant has money is not
19 something the Court should consider greatly. Very
20 frequently we're detaining people who don't have any money.
21 And now they want to detain someone because they say he has
22 money.

23 Mr. Harmon will appear for his trial in Washington
24 D.C., Your Honor. I suggest that he be restricted to travel
25 to the Northern District of Ohio, the D.C. district.

1 I would ask that he be allowed to travel to the
2 Southern District of Texas. If you want to do GPS
3 monitoring, we would agree to that.

4 But I don't think that they have addressed all the
5 conditions that this Court could impose that would
6 significantly monitor his behavior and make sure he appears
7 for trial, Your Honor.

8 We would ask that you either grant the \$50,000
9 unsecured bond, or if, at the Court's request, I know his
10 father has property that he can put up as bond. Or they
11 could post a surety bond, I'm sure, Your Honor.

12 That's all I have, Your Honor.

13 THE COURT: All right.

14 I did have another question for Pretrial Services.
15 The question was raised as to whether defendant had been
16 candid or truthful in his statement to the Office of
17 Pretrial Services, specifically with regard to his assets, I
18 believe.

19 So, Officer Gray, having again heard what has
20 transpired through the testimony, the evidence presented,
21 the argument, can you tell me whether you have a conclusion
22 as to whether the defendant was truthful when interviewed by
23 you or by your office?

24 THE PRETRIAL SERVICES OFFICER: Your Honor, when
25 I asked the defendant about his employment, he did tell me

1 he had been operating Coin Ninja for about two and a half
2 years. He said he has been paying himself for some things,
3 but selling bitcoin, the company is not making, really
4 making money, that he is not earning any income from that,
5 was his report to myself.

6 He did report the residence where he resides in Bath,
7 a property in -- he wasn't sure if it was in Franklin or
8 Green, and a home in Kent that his mother resides in as his
9 only assets.

10 He told me the only debt that he pays out are \$4,000 a
11 month mortgage on his current residence and about \$10,000 in
12 credit card debt. He reported no other lease payments, no
13 other properties that were in his name, leased or owned.

14 THE COURT: Did he make any disclosure with
15 regard to any bitcoin assets or bank accounts or other
16 financial assets?

17 THE PRETRIAL SERVICES OFFICER: He did not. He
18 did mention that there may be some stock, but -- he did
19 mention that the government has seized assets from him.

20 THE COURT: All right. Thank you.

21 Well, the Court is required at this time to make two
22 determinations. The first is whether the government has
23 presented sufficient evidence to conclude or to determine
24 that there is probable cause to believe that the defendant
25 seated in the courtroom is the defendant named in the

1 indictment issued out of the District of Colombia.

2 With regard to that, and there was not any serious
3 contesting of that or any contesting at all of that in the
4 defendant's argument.

5 So the Court will conclude that the government has
6 satisfied its burden there and that there is probable cause
7 to believe that the defendant seated in the courtroom is the
8 defendant named in the indictment issued out of the District
9 of Columbia.

10 With regard to the second determination that the Court
11 is required to make, and that is whether the government's
12 motion for detention should be granted, we've heard
13 considerable evidence as to the nature and circumstances of
14 the offenses that defendant is charged with in the
15 three-count indictment.

16 Those offenses do carry a substantial penalty. The
17 statutory penalty is a maximum of 20 years.

18 The government has submitted a memorandum indicating
19 that under the sentencing guidelines, the sentence that
20 could be imposed but not necessarily -- it's obviously the
21 Court's determination as to what sentence will be imposed.

22 But the sentencing range would be 235 to 243 months.
23 So considerably above the 20 years, taking into account the
24 enhancement factors for the amount of funds, the defendant's
25 knowledge, etcetera.

1 Obviously sentencing in the final analysis is
2 something that the Court will determine.

3 The statutory penalty as well as the potential
4 guideline range that applies to this case does indicate to
5 the Court that this is a serious offense and is regarded as
6 such by Congress which sets forth -- and by the Sentencing
7 Commission which sets forth the sentencing parameters that
8 apply to the offense.

9 The weight of the evidence against the defendant,
10 while the defendant did raise some -- his counsel raised
11 questions as to whether defendant potentially didn't know
12 where the bitcoin was coming from or that it was coming from
13 Darknet sources engaged in illegal activity, it appears that
14 notwithstanding those questions raised by the defendant,
15 that the government's case against this defendant is a
16 strong one.

17 The investigation has been lengthy and thorough. And
18 it appears that -- as I said, at the end of the day, the
19 case will be tried, and a jury might conclude otherwise.
20 But at this juncture, it certainly appears that the
21 government's case is strong.

22 With regard to the history and the characteristics of
23 the defendant, this defendant has strong ties to this
24 community. His family resides here. He has a residence
25 here, although he has residences in other locations as well.

1 So he's been a resident for a considerable period of time.

2 His criminal history is, I would say, described as
3 negligible. It consists of a single arrest for possession
4 of marijuana back in 2005.

5 So his criminal history category -- criminal history
6 is small. His family ties to the community are strong.
7 Those are factors that weigh in favor of the defendant.

8 What the defendant is contending is not that the
9 defendant -- excuse me, what the government is contending is
10 not that the defendant is a danger to the community, but
11 rather that he is a risk of flight.

12 And in that regard, the government's burden of proof
13 is preponderance of the evidence to establish that the
14 defendant is a risk of flight. It's not a clear and
15 convincing standard.

16 Here it appears that the defendant has considerable
17 assets. While some of his assets have been seized by the
18 government, it appears that he has considerable assets
19 remaining. Those assets, we don't know, but they
20 potentially could be accessed by him through other persons
21 who may have access to them.

22 These are things that are unknown to the Court but
23 certainly are potential and, you know, he does appear to
24 have control or the means of control over a considerable
25 amount of assets that have not yet been seized. The agent

1 estimated in the range of tens of millions of dollars of
2 assets that have not been seized, that the government has
3 not seized.

4 The defendant is also charged with, as mentioned
5 earlier, crimes that carry heavy penalties, in particular,
6 the first crime he is charged with, which has a statutory
7 maximum of 20 years and a guidelines range that could
8 approach 30 years.

9 Again, while sentencing ultimately will be the
10 determination of the Court, that at this juncture, faced
11 with those heavy penalties, it does provide defendant a
12 strong incentive to flee.

13 That is a factor that the Court must take into
14 consideration -- or will take into consideration.

15 The defendant, it appears, was not candid with the
16 Office of Pretrial Services in describing his assets. And
17 there were exhibits submitted and attributed to the
18 defendant. The defendant didn't contest those exhibits
19 where defendant had indicated and advertised the services
20 that he was providing through Helix as being a means to
21 avoid and evade law enforcement.

22 So it -- defendant has a history, if I can put it that
23 way, a history of using and causing others to use means to
24 avoid law enforcement.

25 That's a factor that the Court must take into

1 consideration when considering whether defendant poses a
2 risk of flight.

3 The conclusion of the Court is that the
4 defendant -- that the government has shown by a
5 preponderance of the evidence that the defendant does pose a
6 risk of flight and that the Court concludes that conditions
7 could not be established that would reasonably assure that
8 this defendant will appear for proceedings in the case as he
9 is required to do.

10 Accordingly, the Court will order the defendant
11 detained.

12 And having established that defendant is the person
13 identified or named in the indictment, defendant will be
14 ordered transferred to the District of Columbia for further
15 proceedings under the indictment.

16 So at this time, Mr. Harmon, you'll be remanded to the
17 custody of the United States marshal for -- you will be in
18 their custody, and they will arrange for your transport to
19 the District of Columbia.

20 THE DEPUTY CLERK: All rise.

21 (Proceedings concluded at 5:09 p.m.)
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C E R T I F I C A T E

I certify that the forgoing is a correct transcript from the record of proceedings in the above-entitled matter.

S/Caroline Mahnke 2/25/2020

Caroline Mahnke, RMR, CRR, CRC Date